Weekly Economic Review

Job losses piling up

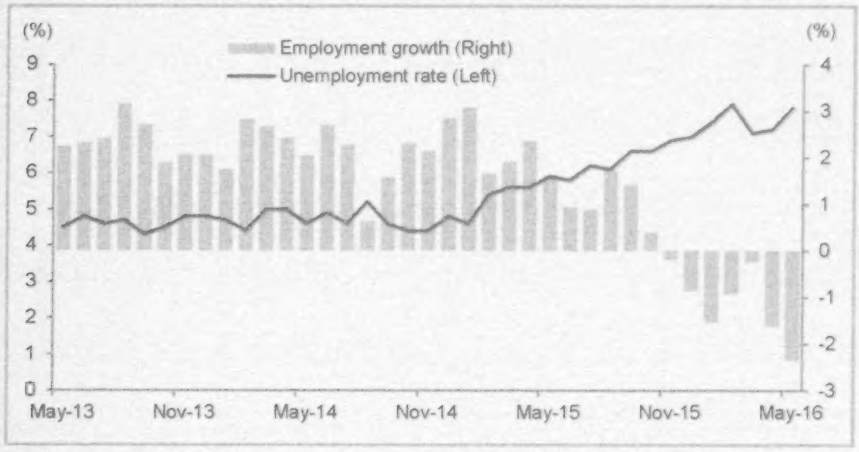
Employment

Job losses mount in May, pushing up unemployment rate

Alberta employment fell to its lowest level since January 2014. There were 24,100 jobs lost in May, a decline of 2.3% from a year ago (Chart 1). The job losses pushed the unemployment rate to 7.8%, which was just under the 20-year high set in February. Alberta job losses were concentrated in full-time positions and the private sector. Most monthly losses were in the goods sector (-20,100), specifically natural resources and construction, but service sector employment (-4,000) also fell. Due to the wildfire around Fort McMurray, May data was not collected from the census agglomeration of Wood Buffalo.

Chart 1: Unemployment rises as employment falls further

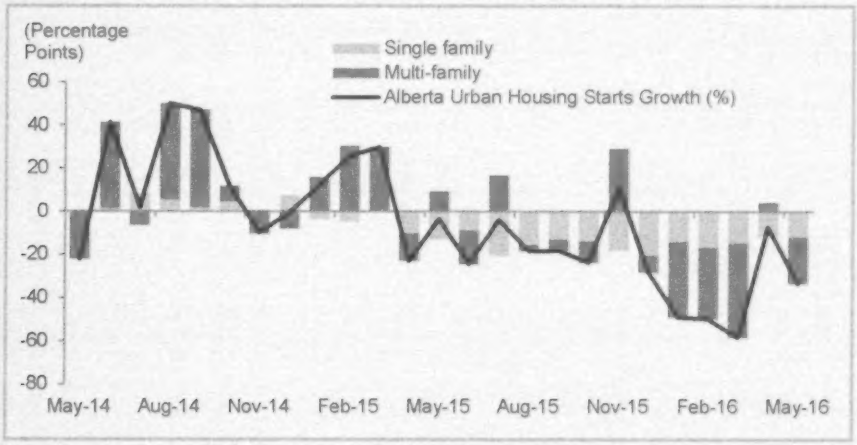
Alberta unemployment rate & year-over-year growth in Alberta employment



Source: Statistics Canada

Chart 2: Widespread weakness in Alberta housing starts

Contribution to year-over-year growth in Alberta urban housing starts



Source: Canada Mortgage and Housing Corporation

Housing Starts

Housing starts remain weak

Alberta housing starts continue to hover near five year monthly lows. Housing starts in May fell to 22,664 (annualized), a decline of 32% y/y. Persistent weakness pushed starts down 40% year to-date (YTD), but this decline also reflects strength that existed in the first quarter of 2015. Multi-family starts were down 37% y/y (Chart 2), weighed down by a drop-off in apartments and semi-detached units. Single family starts continued to fall (-29% y/y), hitting a seven year low. Starts in Calgary (-39% y/y) and Edmonton (-32% y/y) were both down, accounting for the majority of the weakness. Rural housing starts in Alberta also waned (-12% y/y).

New Housing Price Index

No budge in housing prices

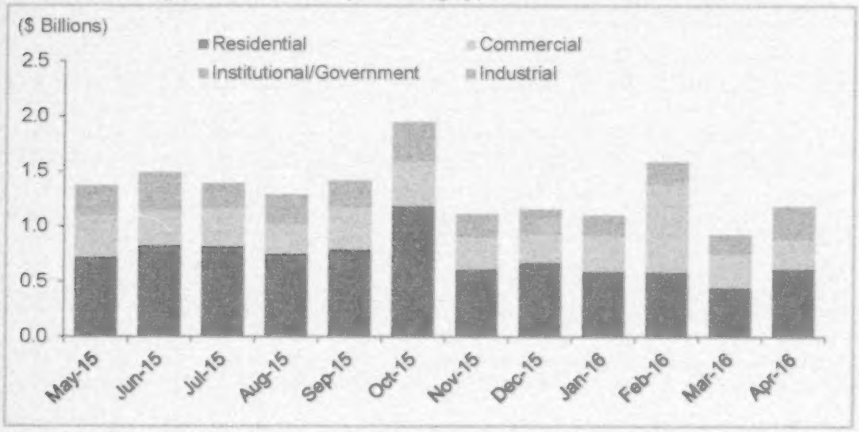
Unrelenting weakness in the housing market kept new house prices flat. Alberta's New Housing Price Index (NHPI) was unchanged in April from the last two months, but was down 0.2% y/y. This was the eighth straight month of year-over-year declines, albeit averaging a modest monthly 0.4% decrease. The weakness was concentrated in Calgary's housing market, where prices deflated by 0.5% y/y. Edmonton's NHPI remained positive at 0.2% y/y. Land prices across the province rose 0.3% y/y in April, while non-land prices continued to fall (-0.4% y/y).

Building Permits

Monthly jump not enough to erase overall weakness

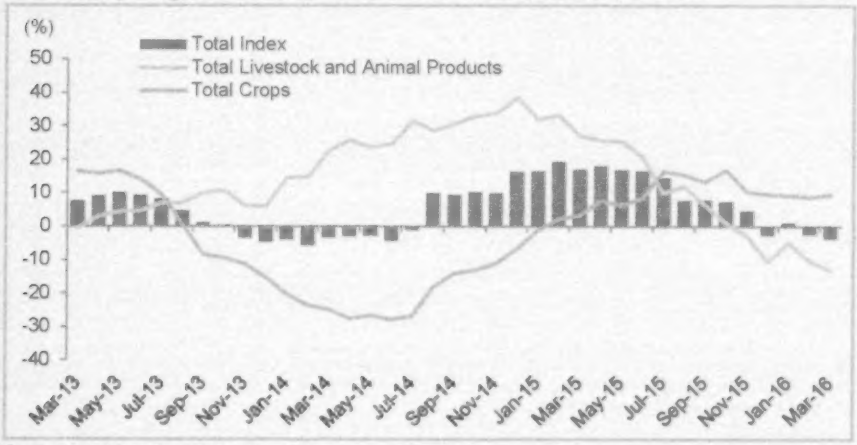
After falling to a five year low in March, building permit values got a bit of a reprieve in April with a bump in value. Alberta building permits jumped 28% month-over-month (m/m) and totaled $1.2 billion in April (Chart 3). Residential permits surged 38% m/m, while institutional and government permit values more than doubled from the previous month. Despite the monthly jump, Alberta building permits were still weaker than a year prior, down 18% y/y. This weakness was across most building types: industrial (-45% y/y), commercial permits (-26% y/y) and residential permits (-26% y/y) were down. Both Calgary and Edmonton experienced monthly increases, but were still weaker than a year ago.

Chart 3: Residential and government permits push April permit values up
Alberta building permit values by building type



Source: Statistics Canada

Chart 4: Livestock and animal products pull down total Alberta farm prices
Year-over-year growth in Alberta Farm Product Price Index



Source: Statistics Canada

Farm Product Price Index

Weak cattle prices weigh on index

Farm product prices remain weak, driven by falling cattle prices. The Alberta farm product price index fell 3.7% y/y in March (Chart 4). This was the largest year-over-year decline in close to two years. The weakness was due to livestock prices, which were down 13% y/y. Cattle and calve prices were mostly responsible, down 16% y/y, which was the largest decline since November 2009. Poultry, egg and dairy prices were also down year-over-year. Although, hog prices were up 8.8% y/y, after being negative for almost all of 2015. Alberta crop prices, on the other hand, were up 9.4% y/y in March. There was broad based strength in prices across all types of crops. Specialty crop prices in particular were up 36% y/y, the result of high demand and adverse crop conditions in other parts of the world.

Chinese Trade

Exports dragged down by soft global demand

China's economic growth is being pulled down by exports. Weaker global demand pulled the value of Chinese exports down by 4.1% y/y in May, the second straight month of year-over-year declines. May was also the fourteenth time in the past 17 months that exports have fallen year-over-year. Imports to China also declined by a 0.4% y/y, marking the nineteenth consecutive month of weakness, but the smallest decline since the end of 2014. China's trade balance fell by $7.2 billion (USD) year-over-year to $50 billion (USD), as exports declined more than imports. Despite the narrowing trade surplus, the current account balance grew 3.5% YTD, as weak raw material prices continue to weigh on total import values.

Contact

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Please see the *Alberta Economy - Indicators at a Glance* for a snapshot of Alberta indicators.